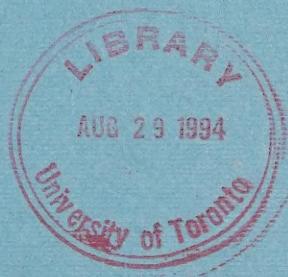
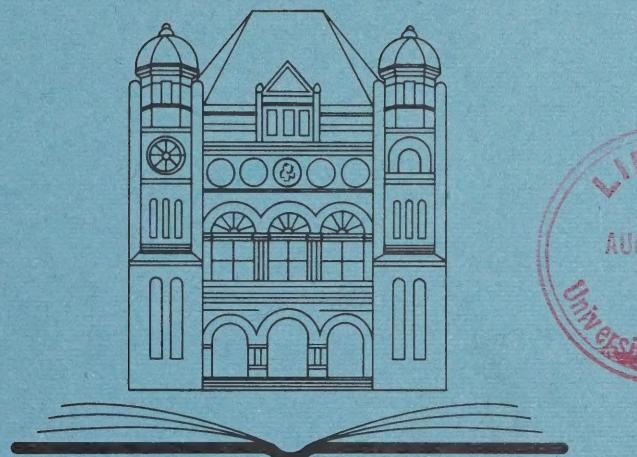


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A SNAPSHOT OF CANADIAN FINANCES:
PROVINCIAL AND FEDERAL BUDGETS, 1993

Current Issue Paper 149



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Current Issue Paper 149

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December 1993

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INTRODUCTION

Over the last few years, there has been considerable discussion over the deteriorating financial condition of governments within Canada, yet the debate often takes place within a single jurisdiction without reference to other members of the confederation. This paper aims to establish the broader context for this debate by providing a snapshot of Canadian public finance through the most recent provincial and federal budgets.

The first section compares the provinces' financial situations using basic indicators such as per capita expenditures, revenues and deficits. It also highlights some common themes such as fiscal plans to balance the budget or measures to reduce the cost of the public sector. The second section tabulates revenues, expenditures, deficit and debt levels over the last five years for each province and the federal government, and outlines key initiatives announced in their latest budgets.

Definitions and caveats

The following information is derived from the most recent budgets and public accounts for the relevant jurisdiction. While these documents outline the key policies of each government, other specific policies may be announced in the legislature or through interim statements. The aim of this paper, however, is to identify general fiscal trends rather than specific policy initiatives.

Each jurisdiction accounts for its finances in different ways. While this paper attempts to present the data in as similar a manner as possible, readers should be aware that differences may remain and that interprovincial comparisons should be interpreted with caution.

The data have been compiled using the following definitions:

- Revenues are generally gross revenues and include federal transfers. They may also include capital and sinking fund revenues where noted.

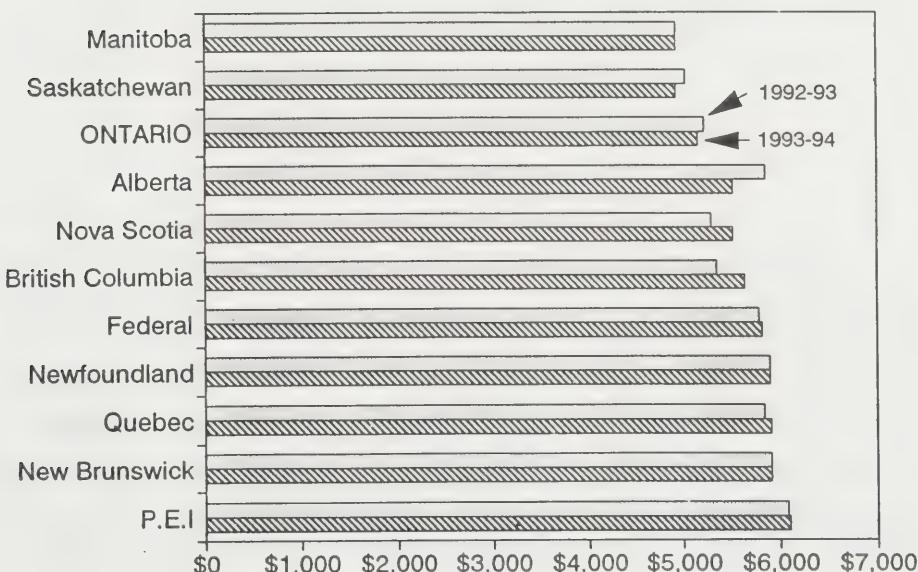
- Operating expenditures represent the current year's expenditures including public debt charges but excluding capital. In some cases this has required some modification where provinces have categorized operating expenditures as program expenditures (frequently including capital) but excluded annual debt interest payments.
- Total expenditures cover all budgetary expenditures but exclude those non-budgetary items in special accounts, such as pension funds, loan or investment transactions.
- The deficit is the difference between revenues and expenditures rather than financial requirements (which include the impact of non-budgetary transactions).
- Wherever possible, debt has been recorded as net debt. However, there is considerable variation in the identification and presentation of debt in the budgets and public accounts depending on the inclusion/exclusion of items such as guaranteed debt, pension funds, or the debt of crown corporations.

PART I:
OVERVIEW

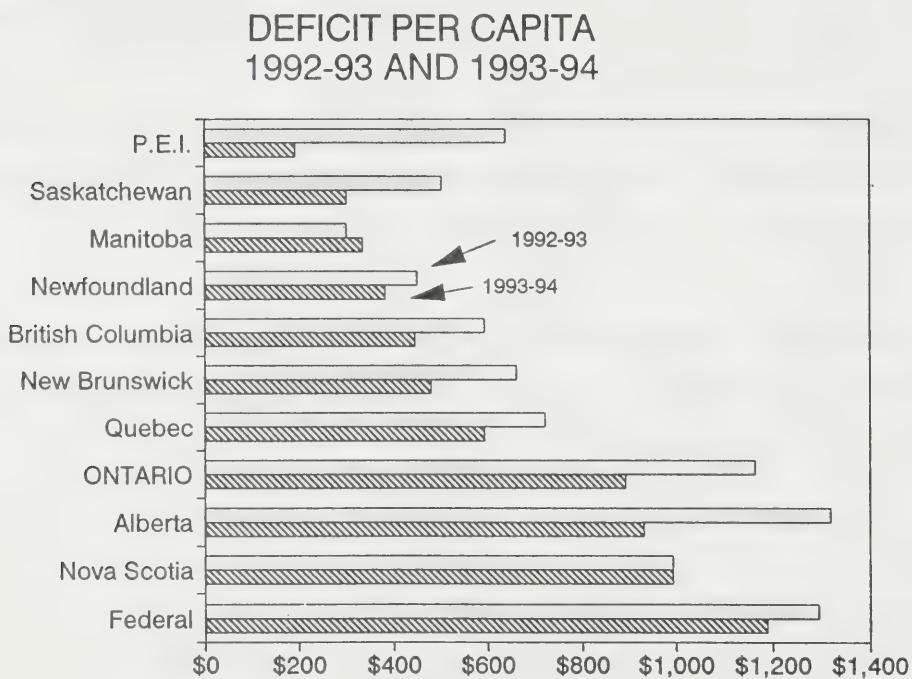
Over the last few years governments have operated in a climate of significant fiscal constraint brought on by weak economies, with their associated reduction in revenues and increase in expenditures, and by public concern over the inexorable rise in debt levels. Budgets in 1993 continue to emphasize expenditure control. In some cases, the rate of growth in spending has been slowed; other provinces have been more drastic and cut the level of spending. Formal fiscal plans to control expenditure and reduce the deficit have been articulated by Alberta (*Deficit Elimination Act* and three-year spending targets), New Brunswick (a five point strategy), Nova Scotia (four-year expenditure control plan), Ontario (expenditure control plan), Prince Edward Island (deficit reduction plan), and Saskatchewan. The federal government has had an expenditure control plan in place since 1990.

The following chart compares the relative size of total expenditures, on a per capita basis, for each government in 1992-93 and 1993-94 (these and subsequent data have not been adjusted for inflation).

**EXPENDITURE PER CAPITA
1992-93 AND 1993-94**

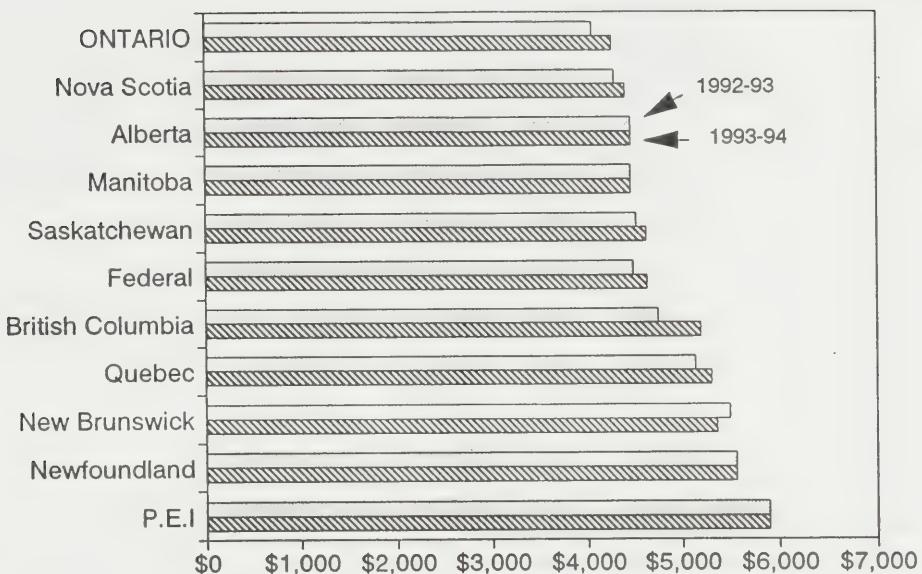


Some provinces, notably Alberta, New Brunswick and Nova Scotia, have emphasized their commitment to reduce spending and/or eliminate the deficit by introducing legislation to control spending or to eliminate the deficit within fixed period of time. The federal government similarly has been operating under the *Spending Control Act* of 1992 which legislated spending limits. Even without this legislation, however, virtually all provinces have reduced the amount of deficit per capita between 1992-93 and 1993-94.



As well as reducing or controlling the expenditure side of the ledger, some provinces have attempted to increase their revenues by raising or broadening taxation. In particular, British Columbia, New Brunswick, Nova Scotia, Ontario, Quebec and Saskatchewan have made significant tax increases in their most recent budget. In contrast, Alberta, Newfoundland and the federal government have made no changes, while Manitoba and Prince Edward Island made small revisions to their taxes.

REVENUE PER CAPITA 1992-93 AND 1993-94



All the provinces as well as the federal government have addressed the operation of government as part of their efforts to control expenditures. Wages and salaries are a major component of government spending and efforts to reduce expenditures would be insignificant if wages and salaries remain untouched. In addition, governments have concluded that in a recessionary period when many in the private sector had lost jobs, the public sector must be seen to share the burden. Most commonly, the restraint has taken the form of wage freezes or cuts, and efforts to reduce the size of the public sector workforce. Reduction in size has been achieved as much as possible by techniques such as attrition or voluntary retirement options.

The following table summarizes the measures taken by each province.

PUBLIC SECTOR EMPLOYMENT RESTRAINTS, 1993-94

PROVINCE	SALARIES AND WAGES	UNPAID LEAVE	CUTBACKS
Alberta	Management: freeze cont'd. Cabinet: 5% cut. Deputy ministers: 2% cut. Union members: zero increase. Public sector: 5% cut next year, then frozen for 2 years.		2,639 Full time equivalents (7.8%)
British Columbia	MLAs: freeze continued. Premier and Cabinet: 5% cut. Deputy ministers, agency administrators earning over \$100,000: frozen.		5% of senior management positions eliminated.
Manitoba	Members of Legislature, members of boards and commissions, provincial court judges: 5% cut. Cabinet: freeze continued for 13th year.	Reduced work week.	513 staff years eliminated.
New Brunswick	Premier, Cabinet, MLAs: freeze continued (Cabinet 2% cut last year).	Expand voluntary time-off arrangements.	500 FTE positions removed (in addition to 1300 in last 2 years).
Newfoundland	Discussions with union to achieve \$70 million reduction in total compensation. Premier, Cabinet, Leader of Opposition and other public sector employees will take similar cut.		
Nova Scotia		5 days, one year only.	Intend to reduce size of civil service.
Ontario	Social contract to cut \$2 b. MPPs: freeze continued. Public sector: 3 year wage freeze.	Up to 12 days.	Reduction of 5,000 since 1991-92.
Prince Edward Island			Civil service size reduced, encouraged by Voluntary Separation Option.
Quebec	MNAs, Ministers, public sector employees, physicians: two-year wage freeze.		
Saskatchewan	MLAs: freeze continued. Cabinet: 5% cut. Government Members: allowances reduced. Public service: out-of-scope salary ranges frozen.		

SOURCES:

- Alberta: *Budget '93*, p. 34 and "Alta. outlines salary cuts to reduce deficit," *Public Sector* (15 March 1993): 5; "Alberta targets public sector for cuts," *Globe and Mail* (25 November 1993): A6.
- British Columbia: *Budget '93*, pp. 13-14.
- Manitoba: *The 1993 Manitoba Budget*, p. 3.
- New Brunswick: *Budget 1993-1994*, p. 26.
- Newfoundland: *Budget 1993*, p. 19.
- Nova Scotia: *Budget Address 1993-94*, pp. 13 and 19.
- Ontario: "Ontario gives public workers ultimatum," *Public Sector* (21 June 1993): 5.
- Prince Edward Island: *Budget Address 1993*, p. 16.
- Quebec: *1993-1994 Budget*, p. 8.
- Saskatchewan: *Budget Address, March 1993*, p. 11.

PART II: THE BUDGETS**ALBERTA**

Alberta's 1993 budget was first presented on May 6, 1993 and subsequently updated on September 8, 1993 following the provincial election. The information presented below reflects the updated budget but may also include initiatives in the original document. Key elements include:

- a fiscal plan, including the *Deficit Elimination Act*, to balance the budget in four years;
- program expenditures cut by 7.7% (\$1 billion) in 1993-94 with a total reduction of 20% (\$2.5 billion) by 1996-97;
- no tax increases.

Budgetary statistics

	REVENUES	EXPENDITURES		DEFICIT		DEBT
		Operating	Total	Operating	Total	
		\$ billion	\$ billion	\$ billion	\$ billion	
1989-1990		9.7		12.0		2.3
1990-1991		11.9		13.0		1.1
		Change in accounting methods				
1990-1991		11.8		13.0		1.2
1991-1992		11.1		12.7		1.6
1992-1993 (May)		11.0		13.3		2.3
		Change in accounting methods				
1992-1993 (Sept.)		11.5	14.2	15.1	2.8	3.4
1993-1994		11.5	13.4	14.2	2.0	2.4
						11.8
						14.3

Sources: 1992-93 and 1993-94 from *Alberta Budget '93: Update* (September 1993), pp. 22-23. Earlier data from *1992 Budget Address*, pp. 30, 41 and *1991 Budget Address*, pp. 32, 43.

Notes: (1) Total expenditures for 1992-1993 and 1993-1994 are calculated using operating and capital investment data; those for earlier years are budgetary expenditures. (2) The increased debt level in 1992-93 as a result of accounting changes stems mainly from the inclusion of pension liabilities of \$5 billion.

Economic statistics

	Population (million)	Gross Domestic Product (\$ billion)	Unemployment Rate (%)
1989	2.426	66.9	7.2
1990	2.473	72.4	7.0
1991	2.522	73.5	8.2
1992	2.577	75.0	9.5

Source: *Budget '93: Update*, p. 118; *1992 Budget Address*, p. 42; and Statistics Canada, *Provincial Economic Accounts: Preliminary Estimates 1992*, Cat. No. 13-213P, Table 6.

1993 Budget Highlights¹

Expenditure control

- The *Deficit Elimination Act*, which was initiated in the previous budget and received Royal Assent in May 1993, legislated a balanced budget within four years. The Act established deficit ceilings which require reductions in the deficit of \$700 million in the next two years and a further \$1 billion in 1995-96 in order for the deficit to decline to zero by 1996-97 and beyond.
- Three-year spending targets will be established for each department and each will have to develop a three-year business plan, with outcome and performance measures and strategies to cut costs. Future funding will be tied to the achievement of these results.
- Program spending will be cut by \$672 million in 1993-94, a reduction of 5.3%. Three areas targeted for cuts are family and social services, health, and reducing waste and duplication across government:
 - Social welfare benefits cut and social services to be reduced by \$150 million.
 - Health care spending cut by \$67.5 million through reduced funding for acute care hospitals, caps on funding for allied health care services and a least-cost drug program. Other health care spending reductions of \$127 million had been announced in May.
 - Savings of \$130 million by eliminating government waste and duplication: size of the civil service reduced by 2,639 positions (7.8%); the operating budgets of 12 departments reduced; the *Financial Administration Act* will be amended to sunset all provincial agencies and Crown-controlled corporations by January 1, 1999.

Revenue changes

- No tax increases, no new taxes, no sales tax.

Other measures

- Four strategies in the budget plan: meet the targets in the *Deficit Elimination Act*; set clear priorities and stick to them; act on Alberta's economic and job generation strategy; and change the way government does business.
- Start restructuring health and education, in consultation with roundtables.
- Continue measures to improve open and accountable government.
- Streamline government by, for example, privatizing Alberta Registries services and retail liquor sales, downsizing, and requiring three-year business plans.
- Long term plan to eliminate \$5 billion in unfunded liabilities of public sector pension plans.

Later developments

- 27 health construction projects deferred and health care workers asked to accept 5% voluntary roll back of wages.²
- Alberta's MLAs asked to cut their salary and allowances voluntarily by 5 percent.³
- Public sector wages and benefits will be cut by 5% next year and frozen for the two subsequent years, for savings of \$300 million or 15% of the proposed \$2 billion reduction in spending over three years. The deferral of 91 education construction projects is expected to save \$20.8 million.⁴
- The deficit for 1993-94 is expected to be \$9 million lower than forecast in the budget.⁵

BRITISH COLUMBIA

British Columbia's budget was released on March 30, 1993. Key initiatives included:

- Total expenditure growth restrained to 5.7%.
- Revenues will increase by 9%, in part due to increases in sales and income taxes.
- Multi-year plan for economic growth: *BC 21—Building Our Future*.

Budgetary statistics

	REVENUES \$ billion	EXPENDITURES		DEFICIT		DEBT \$ billion
		Operating	Total	Operating	Total	
		\$ billion	\$ billion	\$ billion	\$ billion	
1989-1990	13.6		13.2		+0.4	16.2
1990-1991	14.4		15.0		0.6	17.2
1991-1992	14.7		17.1		2.4	20.0
1992-1993	16.0		18.0		2.0	23.2
1993-1994	17.5		19.0		1.5	26.4

Source: British Columbia, *Budget '93*, pp. 87-91.

Economic statistics

	Population (million)	Gross Domestic Product (\$ billion)	Unemployment Rate (%)
1989	3.086	77.2	9.1
1990	3.183	81.4	8.3
1991	3.282	84.1	9.9
1992	3.370	88.8	10.4

Source: British Columbia, *Budget '93*, p. 83; and Statistics Canada, *Provincial Economic Accounts: Preliminary Estimates 1992*, Cat. No. 13-213P, Table 6.

1993 Budget Highlights⁶

Expenditure control

- Rate of growth in program spending (excludes debt service and income assistance) reduced from 11% to 5% in 1992-3, and to 3.3% in 1993-94. Total expenditures will increase by 5.7%. Across government, the budget for advertising and publications cut by \$3 million, for furniture and equipment by \$3 million and for consulting, supplies, materials, utilities and vehicles by almost \$30 million.
- Redundant agencies eliminated, such as the Plain Language Institute of B.C., the B.C. Youth Council, and the B.C. Housing and Employment Development Financing Authority. Five were eliminated last year, and a further seven in the current budget.
- Streamline management in government by:
 - eliminating 5% of senior management positions;
 - continuing the freeze on salaries of all MLAs, and instituting a freeze on the salaries of deputy ministers and senior administrators of Crown corporations and agencies making more than \$100,000 per year;
 - cutting pay for the premier and all cabinet ministers by 5%.

Revenue changes

- Revenues for 1993-94 will increase by 9%.
- Sales tax:
 - sales tax rate increased to 7% from 6%;
 - sales tax base expanded to include specified labour services and parking.
 - surtax introduced of up to 3% above the sales tax (i.e. up to 10%) on luxury vehicles over \$30,000;
- Personal income tax surcharge increased to 30% of B.C. income tax over \$5,300 plus 20% of tax over \$9,000. The first surcharge level will generally affect taxpayers with an income over \$60,000; the second those earning more than \$86,500.
- Income tax rate on large corporations increased by 0.5% to 16.5%; no change in the rate for small business.

- Tax cuts for lower-income earners; taxes reduced for small business.
- Home owner grants reduced for homes valued at more than \$400,000 and increased for people with lower-priced homes.
- A new graduated school property tax surcharge will be applied to high-value homes assessed at over \$500,000. (This proposal was later cancelled following pressure from homeowners.⁷⁾
- Liquor prices and tobacco tax rates increased.
- Residential and non-residential school taxes will rise by an average 4%, as will rural property taxes.

Other measures

- Health care:
 - 4% (\$243 million) increase in health care spending.
 - Additional \$100 million to continue implementation of New Directions in Health Care, including new community health centres in all regions.
 - Pharmacare deductible increased to \$500 from \$400 (except seniors).
 - Medical Services Plan premiums eliminated or reduced for low income British Columbians.
- Education: 3% (\$100 million) increase in grants to elementary and secondary schools; increase of \$34 million in operating grants for universities and colleges, to \$1.03 billion.
- More than \$80 million on initiatives, such as on-the-job training, to move people off income assistance and into the workplace.
- A multi-year initiative to lay the groundwork for longer-term economic growth is contained in *BC 21—Building Our Future*:
 - Accelerated government investment in public services such as health care, education, and justice. For 1993-94, capital project authorizations will amount to \$1.42 billion, a 30% increase over the previous year.
 - The BC Transportation Financing Authority created to finance and construct new highway and other high priority transportation projects. Revenue from a one cent per litre fuel levy and a levy on vehicle rentals will be dedicated to this authority.

- Investment activities of Crown corporations will be focused to meet regional economic needs.
- In 1993-94, an additional \$100 million allocated to innovative approaches to investment and job creation.
- Other initiatives to encourage private sector investment:
 - New British Columbia Investment Office to cut government red tape.
 - Additional use of British Columbia Endowment Fund to lever new private sector investment.
 - New high-tech link between government and its suppliers to ensure faster payment and increased use of local companies.

Later developments

- Health: A tentative agreement announced in April between labour and management in B.C. hospitals includes a reduction in the work week to 36 hours with no cut in pay, in lieu of a general pay increase, for the year beginning April 1, 1993. General pay increase for the two subsequent years will be 1.5%.⁸
- Taxation: Legislation introduced to increase the exemption threshold for the Corporation Capital Tax so that the capital tax will be eliminated or reduced for 3,500 businesses.⁹
- Public sector: An umbrella council will be created to represent all public sector employers as part of the reform of the collective bargaining system in the public sector, in an effort to control wage and administrative costs.¹⁰

MANITOBA

Manitoba's budget was brought down on April 6, 1993. Key initiatives include:

- Program expenditures reduced by 2%.
- Lottery funds used to reduce the deficit.

Budgetary statistics

	REVENUES \$ billion	EXPENDITURES		DEFICIT		DEBT \$ billion
		Operating	Total	Operating	Total	
		\$ billion	\$ billion	\$ billion	\$ billion	
1989-1990	4.7		4.8		0.142	9.9
1990-1991	4.7		5.0		0.292	11.0
1991-1992	4.9		5.3		0.334	11.8
1992-1993	4.9		5.4		0.330	12.8
1993-1994	4.9		5.4		0.367	13.1

Source: *The 1993 Manitoba Budget*, Budget Paper B: Financial Statistics, p.15.

Note: (1) Deficit numbers include deficit transfers from (to) Fiscal Stabilization and Lotteries: 1990-91 - \$0.067 billion; 1991-92 - (\$0.01 billion); 1992-93 - \$0.2 billion; 1993-94 - \$0.09 billion. (2) Debt is net direct and guaranteed debt and includes \$4.5 billion of Hydro debt.

Economic statistics

	Population (million)	Gross Domestic Product (\$ billion)	Unemployment Rate (%)
1989	1.086	23.0	7.6
1990	1.089	23.7	7.2
1991	1.093	23.4	8.8
1992	1.096	23.9	9.6

Source: *The 1993 Manitoba Budget*, Budget Paper A: The Economy, p.10; and Statistics Canada, *Provincial Economic Accounts: Preliminary Estimates 1992*, Cat. No. 13-213P, Table 6.

1993 Budget Highlights¹¹

Expenditure control

- Program expenditures reduced by 2% (\$100 million).
- Government reduction plans include:
 - A 5% across the board cut in administrative expenses.
 - Eighteen administrative and personnel branches will be consolidated into fewer units.
 - The salaries of all Members of the Legislature, all members of boards and commissions, and provincial court judges will be reduced by 3.8%.
 - The freeze on salaries paid to all Members of Cabinet will be continued for the 13th consecutive year.
 - 513 civil service staff years will be eliminated, with permanent layoffs held to fewer than 100 as a result of attrition, redeployment efforts and voluntary retirements.
 - A reduced work week program will be introduced for all provincial civil servants, in order to trim salary costs by 3.8%.
 - All government funded entities including Crown corporations and those providing education and health care services must achieve similar salary savings through measures such as the reduced work week. This applies to all public sector employees, including doctors, nurses, teachers and university professors.
 - All Crown corporations and others funded by the government either directly or indirectly must streamline their organizations.

Revenue changes

- No increases in personal or corporate income taxes, or the sales, payroll or capital tax rates.
- Sales tax:
 - The federal government has agreed to collect provincial sales tax at the border. To do this Manitoba has to adjust its sales tax to cover a wider range of items, such as snack foods, non-prescription drugs, newspapers and magazines, personal hygiene supplies, certain safety equipment, school supplies, baby supplies, sewing patterns, children's clothing costing more

than \$100 per item, purchases of safety clothing and footwear and restaurant meals under \$6.

- The application of the provincial sales tax will be tightened on private automobile sales.
- Gasoline tax will increase by one cent per litre to 11.5 cents. Tax preference for gasohol reduced by one cent per litre. A new five cent per litre tax preference will be provided to encourage recycling of waste oil into diesel fuel. Diesel fuel tax is frozen; railway and aviation diesel fuel taxes reduced.
- Payments under various tax credit programs will be reduced by \$53 million in 1993-94.
- The 10% manufacturing investment tax credit introduced in last year's budget will be extended an additional year.
- The payroll tax exemption for small business will be increased from \$600,000 to \$750,000.

Other measures

- Deficit of \$367 million in 1993-94 is 35% less than the 1992-93 forecast. In part, this is a result of \$30 million transfer from the Fiscal Stabilization Fund and \$60 million from lottery revenue, including 65% of annual Video Lottery Terminal revenue. The government will continue to use lottery revenue until the deficit is eliminated. The remaining 35% (\$8.8 million) of VLT revenue is allocated to supporting continued economic growth and development in rural regions.
- Family Services maintained for the most vulnerable by changes in other areas, such as increasing day-care fees, and reducing payments to foster parents and dental, optical and pharmacological benefits for social assistance recipients.
- Health: Home care budget and conversion of personal care beds for the aging maintained and community-based mental health services expanded by cuts in hospital administration costs, increased Pharmacare payments, etc.

NEW BRUNSWICK

The 1993 budget for New Brunswick was introduced on March 31, 1993. Key initiatives included:

- A five point strategy to achieve a balanced ordinary account, including enacting legislation requiring a balanced budget by March 31, 1996.
- Sales tax base broadened and personal income tax rate increased by 4%.

Budgetary statistics

	REVENUES	EXPENDITURES		DEFICIT		DEBT
		Operating	Total	Operating	Total	
		\$ billion	\$ billion	\$ billion	\$ billion	
1989-1990		3.6	3.5	3.8	0.116	0.154
1990-1991		3.7	3.7	4.0	0.004	0.294
1991-1992		3.7	3.9	4.3	0.217	0.516
		Accounting change (1)				
1992-1993		4.0	4.1	4.5	0.137	0.481
		Accounting change (2)				
1993-1994		3.9	3.9	4.3	0.041	0.349

Source: New Brunswick, *Budget 1993-1994*, p. 40 and 1990, p. 24; *Public Accounts 1991*, p. 16 and 1992, p. 11.

Note: Accounting change (1) increases revenues and expenditures by \$46 million. Accounting change (2) decreases revenues and expenditures by \$200 million.

Economic statistics

	Population (million)	Gross Domestic Product (\$ billion)	Unemployment Rate (%)
1989	0.718	12.6	12.5
1990	0.722	13.2	12.1
1991	0.726	13.7	12.7
1992	0.728	13.9	12.8

Source: Statistics Canada, *Provincial Economic Accounts: Preliminary Estimates 1992*, Cat. No. 13-213P, Table 6.

1993 Budget Highlights¹²

Expenditure control

- A five point strategy to achieve a balanced ordinary account:
 - Enact legislation containing the government's objective that ordinary expenditures will not exceed ordinary revenues by March 31, 1996, and for subsequent four-year periods.
 - Continued improvement of efficiency in government, with a further \$70 million saved above the \$250 million achieved to date.
 - Structural adjustments to some of the essential but fastest growing programs while providing support for those who need it most.
 - Some progressive tax changes.
 - With relatively high capital spending in the last two years, and because the capital deficit is the largest contributor to the growth in the debt, a moratorium will be implemented on the construction of new capital facilities, and net capital spending will be limited to \$275 million (from \$350 million in 1992-93) in 1994-95 and \$250 million in 1995-96.
- Growth in ordinary account spending is limited to 1.7% in 1993-94, and 2.5% after that.
- Ordinary account deficit expected to turn into a surplus of \$68 million by 1994-95.
- Provincial-municipal transfers reduced by \$8 million in 1993-94, with similar reductions likely in subsequent years.
- The cost of the Prescription Drug Program to be reduced by \$11 million.
- Government restraint:
 - The salaries of the Premier, cabinet ministers and MLAs frozen for the third consecutive year (cabinet ministers' salaries were rolled back 2% last year).
 - Elimination of an additional 500 full time equivalent positions in the civil service; 1,300 have already been removed over the last two years. As far as possible this reduction will be achieved through attrition, redeployment, reorganization and rationalization of government services. In addition, the government will be seeking to expand existing voluntary time-off arrangements.

- Twenty-three agencies will be eliminated; a further 23 will be reduced to six agencies through amalgamation; and a review of ten others will be finalized this year. This initiative will save \$750,000, with additional savings of \$500,000 over the next year.
- Government departments requested to reduce grants to corporations and individuals by \$2.8 million in 1993-94.

Revenue changes

- Social Services and Education (sales) tax:
 - New Brunswick will be entering an agreement to have the federal government collect provincial sales tax at international borders. To do this, New Brunswick is required to extend its sales tax base. Sales tax will now be applied to fertilizer, lime, shrubs and plants sold to non-farmers; wood stoves; patterns and fabrics; and single copies of newspapers. The exemption for school supplies will be limited to text books; the 80 cent exemption for candies and confections will be removed and snack foods will be taxable.
 - The sales tax exemption of clothing and footwear will be limited to purchases of \$100 or less per item. Special purpose sports clothing will be subject to tax regardless of price. These changes will generate \$14 million.
 - Sales tax will be extended to recreational services such as single use charges and membership fees to sporting clubs and facilities.
 - Sales tax exemption for purchases by status Indians will be limited to sales on reserve land.
 - Sales tax exemption for machinery and equipment intended for research and development.
- Personal income tax:
 - The rate will be increased from 60% to 62% of basic federal tax effective January 1, 1993, and to 64% effective January 1, 1994. This will yield \$30 million in 1993-94.
 - A 20% tax credit for eligible contributions to prescribed Labour Sponsored Venture Capital funds.
- The property tax allowance program for low-income families will be enhanced, while the allowance for seniors will be eliminated. Low income seniors will be eligible for the enhanced low-income allowance.

- Lottery net revenues will be redistributed so as to increase the province's share of video lottery earnings.

Other measures

- Local governance to be reviewed by a Commission on Land Use and Rural Environment.
- Increased access to community college places by, for example, a redesigned student aid program. University operating grants will be increased by 1.7%.
- Examine new mechanisms to improve service delivery:
 - Special Operating Agencies, as self-contained service units carved out of regular departmental structures;
 - review of selected government services with a view to privatization.

NEWFOUNDLAND AND LABRADOR

The budget for Newfoundland and Labrador was introduced on March 18, 1993. Key initiatives included:

- Continued 3% reduction in operating and 1% reduction in salary accounts.
- No new taxes or tax increases.

Budgetary statistics

	REVENUES \$ billion	EXPENDITURES		DEFICIT		DEBT \$ billion
		Operating	Total	Operating	Total	
		\$ billion	\$ billion	\$ billion	\$ billion	
1989-1990	2.9	2.8	3.1	0.04	0.22	4.8
1990-1991	3.0	2.9	3.3	0.01	0.25	5.1
1991-1992	3.1	3.0	3.4	0.06	0.29	5.3
1992-1993	3.2	3.1	3.4	0.08	0.26	5.8
1993-1994	3.2	3.2	3.4	0.05	0.22	6.1

Source: Newfoundland and Labrador, *Budget 1993*, pp. i and xi, 1992, p. 1 and 1989, p. 2.

Notes: (1) Revenues includes current and capital revenues; (2) Public Sector Debt includes direct debt, Crown corporations and sinking funds.

Economic statistics

	Population (million)	Gross Domestic Product (\$ billion)	Unemployment Rate (%)
1989	0.571	7.6	15.8
1990	0.573	8.0	17.1
1991	0.574	8.1	18.4
1992	0.576	7.9	20.2

Source: *Budget 1993*, p. vii; and *Provincial Economic Accounts: Preliminary Estimates 1992*, Cat. No. 13-213P, Table 6.

1993 Budget Highlights¹³

Expenditure control

- Ongoing discussions with the unions to achieve a \$70 million reduction in the total compensation package for public sector employees.
- Continuation of 3% reduction in operating and 1% reduction in salary accounts.
- Overall reduction in gross capital expenditures.
- Reduction of \$3 million and \$2 million on expenditures by government on computer and consulting services.
- Contributions to third-party agencies reduced.
- Production subsidies to hog producers eliminated.
- Social assistance:
 - the cost of transportation services to social assistance recipients to be reduced;
 - ten investigators hired to reduce the extent of social assistance abuse;
 - no increase in rates paid to social assistance recipients.

Revenue measures

- No new taxes or tax increases.
- Continued efforts to reform the tax system.
- Revised Mining and Mineral Rights Tax to increase incentives for mineral exploration and development.
- Additional RCMP resources to reduce smuggling.

Other measures

- Health:
 - cost saving measures to reduce hospital stays;
 - new funding of \$1 million for additional continuing care services;

- funding for three new health centres.
- Education: Increased funding for school board operations and distance education.
- Funding for employment initiatives, including \$7.4 million for various youth, women and employment generation programs, as well as \$17.8 million for ongoing employment programs for social assistance recipients.
- Economic development initiatives included:
 - \$1.9 million to continue the Economic Recovery Commission;
 - \$28.8 million for the operations of Enterprise Newfoundland and Labrador Corporation;
 - \$4.7 million for new initiatives relative to the Strategic Economic Plan, in addition to base funding provided to departments;
 - joint federal-provincial initiatives.

NOVA SCOTIA

Nova Scotia's budget was introduced on September 30, 1993. Key items included:

- Four-year Expenditure Control Plan;
- sales and income tax increases.

Budgetary statistics

	REVENUES \$ billion	EXPENDITURES		DEFICIT		DEBT \$ billion
		Operating	Total	Operating	Total	
		\$ billion	\$ billion	\$ billion	\$ billion	
1989-1990	3.8	3.9	4.3	0.1	0.5	4.5
1990-1991	3.9	4.2	4.5	0.3	0.6	4.7
1991-1992	3.9	4.3	4.6	0.4	0.7	5.4
1992-1993	3.9	4.5	4.8	0.6	0.9	
1993-1994	4.0	4.6	5.0	0.6	0.9	

Source: Province of Nova Scotia, *Budget Address 1993-94*: revenues p. A8; expenditures p. A12; deficit derived from revenues less expenditures, and does not include transfers from Nova Scotia Power Inc. Debt from *Public Accounts 1992*, p. 16 and *1991*, p. 16.

Economic statistics

	Population (million)	Gross Domestic Product (\$ billion)	Unemployment Rate (%)
1989	0.888	16.0	9.9
1990	0.895	16.9	10.5
1991	0.901	17.6	12.0
1992	0.907	18.0	13.2

Source: Province of Nova Scotia, *Budget Address 1993-94*, p. A18; and Statistics Canada, *Provincial Economic Accounts: Preliminary Estimates 1992* Cat. No. 13-213P, Table 6.

1993 Budget Highlights¹⁴

Expenditure control

- Legislation will be introduced dictating global program expenditure reductions over the next four years. The Four-Year Expenditure Control Plan requires:
 - Reductions of 3% in net program operating expenditures in each of the next two years, commencing in 1994-95, and 2% in the following two years (most departments subject to 2% cut in 1993-94). This Plan will demand cost savings of over \$300 million within the next four years.
 - The government to cut capital expenditures by at least 5% per year over the next four years, resulting in \$60 million in cost savings.
- Independent management audits of four major expenditure areas—health, community services, education, and transportation and communications—as a first step towards identifying the most efficient and effective way to deliver these services.
- Streamlining of government operations and reductions in the size of the civil service.
- Reduced retirement benefits for MLAs.
- Public sector employees earning more than \$22,000 per year will be required to take five unpaid days leave in 1993-94. This will apply to the Premier, ministers, MLAs, all employees of provincial and municipal governments, Crown corporations, school boards, universities, community colleges, hospitals, homes for special care, judges of the Provincial and Family courts, and the medical profession.
- Health: operating grants to health care facilities reduced by 2.5%. Pharmacare Program will be subjected to major reform.
- Education: Operating grants to school boards reduced by \$2 million.
- Direct grants within the Department of Economic Development will be eliminated.

Revenue changes

- The Health Services Tax (sales tax):
 - will increase from 10% to 11%;

- certain exemptions will be removed, for example from business services and selected recreational services;
- the tax on materials used in the construction of new homes by first-time home buyers before April 1, 1995 will be rebated to a maximum of \$3,000.
- monthly levy on electricity replaced by Health Services Tax rate of 3%.
- Gasoline and diesel fuel tax rates increased by 2 cents per litre.
- For the 1994 taxation year only, the existing high income surtax will be replaced by a surtax of 20% on provincial tax payable between \$7,000 and \$10,499, and 30% over \$10,500. This will generally apply to those with incomes over \$65,000 and \$85,000 respectively.
- Individuals investing in a Nova Scotia small business will be eligible to receive a 25% provincial personal income tax credit (Equity Tax Credit) on a maximum annual investment of \$10,000. The credit will also be extended to those investing in a community development fund.
- Starting in the 1994 taxation year, individuals who invest in a Labour Sponsored Venture Capital Fund will receive a 20% tax credit.

Other measures

- Revenue gains resulting from an improved economy (growth dividend) will be targeted to help small businesses. Twenty percent of the revenue growth over the next four years is committed toward reducing the tax burden and improving the climate for business in Nova Scotia.
- Cooperation with other levels of government to achieve improved efficiency and effectiveness:
 - with municipal government, to achieve rationalization;
 - with the federal government, to identify and eliminate areas of overlap and duplication of programs and services;
 - with other Atlantic provinces.
- Review of Crown corporations, agencies, boards and commissions.
- Family Benefit rates will be increased by 1%, effective January 1, 1994, with a further 1% increase from April 1, 1994. The number of spaces and rates for subsidized day care spaces will be enhanced.

- Additional financial support to assist Nova Scotians affected by the structural changes occurring within the fisheries industry.

Later developments

- The *Unpaid Leave Act*, introduced in November, gives departments the authority to decide which days public sector workers must take off without pay. This affects provincial and municipal government employees, cabinet ministers, MLAs, order-in-council appointees, doctors and teachers. The Bill also sets out a 2% reduction in the 1993-94 negotiated fees for services for doctors, dentists, optometrists and pharmacists to be recovered by October 31, 1994. An equivalent reduction in grants will be recovered from universities, hospitals, homes for special care, provincial crown corporations and municipalities.¹⁵

ONTARIO

The Ontario 1993 budget was introduced on May 19. It incorporated the expenditure control plan and social contract initiatives introduced earlier, and included tax increases and the proposal to introduce a corporate minimum tax.

Budgetary statistics

	REVENUES \$ billion	EXPENDITURES		DEFICIT		DEBT \$ billion
		Operating	Total	Operating	Total	
		\$ billion	\$ billion	\$ billion	\$ billion	
1989-1990	41.2	37.7	41.1	+3.5	.09	39.3
1990-1991	42.9	42.7	45.9	+0.2	3.1	42.3
1991-1992	40.8	47.8	51.7	7.1	10.9	53.1
1992-1993	41.8	50.2	53.8	8.4	12.0	68.6
1993-1994	44.0	50.0	53.1	6.1	9.2	78.6

Source: *Ontario Budget 1993*, p. 96-7.

Notes: Operating expenditures includes public debt interest; "debt" is provincial purpose debt and excludes borrowing for Ontario Hydro and contingent liabilities.

Economic statistics

	Population (million)	Gross Domestic Product (\$ billion)	Unemployment Rate (%)
1989	9.6	272.4	5.1
1990	9.8	272.3	6.3
1991	9.9	270.5	9.6
1992	10.1	274.6	10.8
1993	10.3	286.0	

Source: *Ontario Budget 1993*, pp. 96-7; and Statistics Canada, *Provincial Economic Accounts: Preliminary Estimates 1992* Cat. No. 13-213P, Table 6.

1993 Budget Highlights¹⁶

Expenditure control

- Expenditure control plan will save \$4 billion through:
 - streamlining and rationalizing government operations;
 - reducing the number of ministries;
 - cutting the budgets for consulting, communications, travel and non-salary costs;
 - reducing the number of civil servants by 5,000 from 1991-92.
- Social contract negotiations to result in public sector employment savings of around \$2 billion.
- Sale of surplus assets and refinancing of others (\$915 million).

Revenue changes

- Surtax rates on personal income tax increased to 20% for tax over \$5,500 and a further 10% on Ontario tax over \$8,000.
- Personal income tax rates increased by 3% to 58% of basic federal tax.
- Retail sales tax extended to sand, soil, clay, gravel, unfinished stone, parking and insurance premiums. Rebate to visitors outside Ontario eliminated.
- Tax reduction programs enriched so that fewer low income Ontarians pay tax.
- A corporate minimum tax will be introduced.
- Corporate tax loopholes eliminated and the deductibility of meals and entertainment expenses for corporations reduced to 50%.
- Produce-your-own beer and wine establishments will be subject to a tax of 26 cents per litre, increasing in two stages to 38 cents per litre on June 15, 1995.
- The enforcement of existing taxes and non-tax revenue will be improved.
- Tire tax and commercial concentration tax abolished.

Other measures

- Expansion of jobsOntario by:
 - establishing jobsOntario Community Action with funds of \$300 million in the first three years;
 - increasing investment in jobsOntario Capital by \$1 billion to \$3.3 billion over the period to 1996-97; and
 - tripling investment in jobsOntario Training to \$329 million in 1993-94.
- Creation of three Crown corporations to carry out investment in transportation, real estate, and water and sewage.
- Health: Initiatives to manage health care spending, such as delisting certain services, reforming the Drug Benefit Plan, speeding up the reform of long-term care in the community.
- Social assistance system to be reformed.

Later developments

- The province's projected deficit may increase by \$377 million to \$9.5 billion due to lower than anticipated tax revenues.¹⁷

PRINCE EDWARD ISLAND

Prince Edward Island's budget was introduced on June 17, 1993. It featured a Deficit Reduction Plan that would eliminate the deficit in three years.

Budgetary statistics

	REVENUES	EXPENDITURES		DEFICIT		DEBT	
		Operating	Total	Operating	Total		
		\$ billion	\$ billion	\$ billion	\$ billion		
1989-1990		0.673	0.643	0.681	+0.03	0.008	0.199
1990-1991		0.706	0.685	0.727	+0.02	0.020	0.219
1991-1992		0.714	0.717	0.765	0.003	0.050	0.269
1992-1993		0.713	0.750	0.797	0.04	0.083	0.352
Accounting change							
1992-1993		0.767		0.790		0.023	
1993-1994		0.767	0.756	0.793	+0.01	0.025	0.375

Source: Prince Edward Island, *Budget Address 1993*, pp. 22, 31.

Notes: (1) In 1993-94, Housing Corporation has been included, increasing the level of revenues and expenditures for that year; 1992-93 restated to conform. (2) Revenues include operating, capital and sinking fund revenues. (3) Debt is net debt.

Economic statistics

	Population (million)	Gross Domestic Product (\$ billion)	Unemployment Rate (%)
1989	0.130	1.897	14.2
1990	0.131	1.987	15.1
1991	0.131	2.078	17.0
1992	0.130	2.126	17.9

Source: *Budget Address 1993*, p. 32; and Statistics Canada, *Provincial Economic Accounts: Preliminary Estimates 1992* Cat. No. 13-213P, Table 6.

1993 Budget Highlights¹⁸

Expenditure control

- A Deficit Reduction Plan over three years that will eliminate the deficit:
 - Streamlining government to be smaller and more efficient.
 - Permanent program spending reductions in 1993-94 of \$13.5 million. Total reductions will be \$44.6 million over three years.
 - After the completion of specified projects already under way, there will be no further major capital expenditures on schools and hospitals in the foreseeable future.

Revenue changes

- Sales tax base broadened to include snack foods, agricultural goods purchased by non-farmers, sports clothing and equipment, pets and pet food, and selected professional services.
- Gasoline tax increased by one percentage point.
- Tobacco tax increased by 0.8 cents per cigarette with comparable increases for other tobacco products.
- Property tax credit will be reduced.

Other measures

- Focus on economic development, education and training, and the three year Deficit Reduction Plan.
- A New Entrepreneur Loan Program to support small business will guarantee loans of up to \$15,000 for five years arranged through a participating financial institution.

Later developments

- Second quarter statistics show an improved economy, with increased retail sales, exports, manufacturing shipments and farm receipts. Despite this improvement, the deficit will increase by \$3.9 million to \$29.3 million.¹⁹

QUEBEC

Quebec's budget was introduced on May 20, 1993. It included:

- Budget cutbacks of \$1.4 billion.
- Elimination or reduction of certain tax expenditures saving up to \$1.1 billion.
- Increased fees and taxes.

Budgetary statistics

	REVENUES \$ billion	EXPENDITURES		DEFICIT		DEBT \$ billion
		Operating	Total	Operating	Total	
		\$ billion	\$ billion	\$ billion	\$ billion	
1989-1990	31.1		32.7		1.7	27.7
1990-1991	33.0		35.8		2.8	29.6
1991-1992	34.5		38.6		4.2	33.1
1992-1993	35.5		40.5		5.0	39.2
1993-1994	36.7		40.9		4.1	40.3

Source: Quebec, *1993-1994 Budget*, Appendix B, pp. 4 and 22, and Appendix C, pp. 18, 25, 30.

Note: Debt is direct debt and does not include public and parapublic sector retirement plans.

Economic statistics

	Population (million)	Gross Domestic Product (\$ billion)	Unemployment Rate (%)
1989	6.698	149.1	9.3
1990	6.768	153.9	10.2
1991	6.847	155.9	12.0
1992	6.925	158.6	12.8

Source: Quebec, *1993-1994 Budget*, Appendix D, p. 26; and Statistics Canada, *Provincial Economic Accounts: Preliminary Estimates 1992* Cat. No. 13-213P, Table 6.

1993 Budget Highlights²⁰

Expenditure control

- Budget cutbacks totalling \$1.4 billion, including:
 - A reduction of almost 6% in operating expenditures.
 - Two year wage freeze for public sector employees, MNAs, ministers, and physicians at levels in effect April 1, 1993.
 - A 5% reduction in grants to individuals and businesses.
- Growth in program spending to be held at 1% in the coming years.
- Government organization will be reassessed with a view to reducing operating costs and the number of departments and agencies.
- Health care:
 - Drug refunds will be based on the cheapest products.
 - Insured optometric services will now be available free of charge only to beneficiaries under 18 and over 65 years of age.
 - Discussions with the federal government concerning the ability to levy user fees at the time of medical consultation or when taxpayers file their income tax return.
- Discussions on changes to the division of responsibilities between the province, municipalities and school boards.
- Following a reassessment of all tax expenditures, certain tax expenditures will be eliminated or reduced, saving \$1.1 billion over a full taxation year.
- The indexation of personal tax credits will be suspended for one year.

Revenue changes

- Tuition fees will be increased and aligned with those charged elsewhere in Canada.
- Contributions to the Health Services Fund (payroll tax for health care) will be applied, at lower rates, to other sources of income besides employment income.
- Medical and entertainment expense deduction reduced to 50% from 80%.

- A surtax on higher incomes will be implemented, equivalent to 5% of tax payable in excess of \$5,000 and an additional 5% on tax payable over \$10,000. The first surcharge will affect single people earning more than \$32,500 and married tax filers with two children earning more than \$45,460; the second those with incomes over \$54,300 and \$63,480 respectively. The scope of the Alternative Minimum Tax on high income earners is broadened.
- Pending a favourable judgement by the Supreme Court, Quebec plans to proceed as quickly as possible with implementing the final phase of harmonizing the Quebec Sales Tax and the GST.
- Enhanced tax credit extended for businesses that have universities do research on their behalf, but deductibility of general research expenses limited.

Other measures

- The government intends to pursue its policy of relying to a greater extent on user fees, improve the profitability of government corporations, pursue a privatization policy and limit the role of such corporations to initiatives that cannot be carried out at least as efficiently by the private sector.
- The financial structure of the Société de l'assurance automobile du Québec will be reformed to create a new division for insurance contributions. Vehicle registration fees previously paid to the government will be transferred to this division, so that a balance is maintained between operating revenues and expenditures. In return, part of the Société's existing surplus (\$675 million in 1993-94, \$325 million in 1994-95) will be applied by the government against the provincial deficit.
- Pursue policies designed to create jobs and upgrade human resources. For example:
 - strengthen the policy aimed at adjustment of businesses and workers affected by industrial restructuring;
 - step up the fight against unemployment and poverty by implementing innovative measures that encourage the chronically unemployed and social assistance beneficiaries to re-enter the labour market.
 - improve technical and vocational training;
 - encourage the emergence of high value added enterprises;
 - gear government initiatives as a whole to economic development.
- The availability of tax deductions will be limited. For example, the Quebec Stock Savings Plan will be restricted to firms with assets of less than \$250

million (the previous limit was \$2.5 billion); for two years, the Quebec Federation of Labour Solidarity Fund will have the amount the investment fund can receive annually capped at \$75 million (nearly \$200 million was invested in 1992-93).

SASKATCHEWAN

Saskatchewan's budget was introduced in March 1993. It included:

- A plan to balance the budget in four years.
- Sales tax increase.

Budgetary statistics

	REVENUES \$ billion	EXPENDITURES		DEFICIT		DEBT \$ billion
		Operating	Total	Operating	Total	
		\$ billion	\$ billion	\$ billion	\$ billion	
1989-1990	4.2		4.5		0.4	12.2
1990-1991	4.7		5.0		0.4	12.4
1991-1992	4.0		4.9		0.8	13.2
1992-1993	4.5	4.8	5.0	0.3	0.5	14.0
1993-1994	4.6	4.7	4.9	0.1	0.3	

Source: Saskatchewan, *Securing Our Future: Budget Address, March 1993*; revenues and expenditures from p. 74. Gross debt from *Public Accounts 1992-93*, p. 4, 1991-2, pp. 10-11 and 18, and *1990-91*, pp. 3-9 and 15.

Economic statistics

	Population (million)	Gross Domestic Product (\$ billion)	Unemployment Rate (%)
1989	1.007	19.6	7.5
1990	0.997	20.4	7.0
1991	0.994	20.0	7.4
1992	0.994	19.8	8.2

Source: Statistics Canada, *Provincial Economic Accounts: Preliminary Estimates 1992*, Cat. No. 13-213P, Table 6.

1993 Budget Highlights²¹

Expenditure control

- Fiscal plan announced to balance the budget in four years, by 1996-97.
- Operating expenditures in 1993-94 reduced by 3.4% (\$142 million), for a total reduction of 7% over two years. Many reductions had already been introduced in 1992-93 budget.
- Expenditure control measures within government in 1992 included a freeze on MLA salaries, a 5% cut in Cabinet Ministers salaries, reduced allowances and freezing out-of-scope salary ranges in the public services. This year, communications expenditures were further reduced by 17%, and staff development costs and leasing costs for office space also reduced. Furthermore, the structure of government departments is being reorganized to reduce overlap and duplication.
- One quarter of all agencies, boards and commissions will be eliminated.
- Continued reduction in transfer payments in 1993-4 and 1994-5: hospitals by -3% and -2.8% respectively; education by -2% and -4%; and municipalities by -3.3% to -5%, and -8%.
- Impact of expenditure management over four years expected to be:

Restructuring government	-\$790.8 million
Economic development and job creation	\$144.6 million
Compassion (social assistance)	\$112.2 million
Measures in subsequent years	-\$311.5 million

Total expenditure management impact -\$845.5 million

Revenue changes

- Education and Health Tax (sales tax) increased from 8% to 9%; \$300 exemption for adult clothing, adult footwear and yard goods removed.
- Corporation Capital Tax Resource Surcharge rate increased from 3.0% to 3.6%.
- Fuel tax rate increased by 2 cents per litre.
- Removal of the \$300 Education and Health Tax exemption for the purchase of adult clothes, adult shoes and yard goods.

Other measures

- Job creation initiatives include:
 - Corporation income tax rate for small business further reduced from 9% to 8% by January 1, 1995 (the rate was previously reduced in the 1992-93 budget from 10%).
 - Community-based Regional Economic Development Authorities established at a cost of \$1 million.
 - Labour-sponsored Venture Capital Program will be improved.
 - Following their success in 1992, Saskatchewan Savings Bonds will again be made available.
 - Introduction of a manufacturing and processing tax credit equal to 8% of the value of eligible equipment acquired by Saskatchewan small business, effective April 1 through December 31, 1993.
 - At least \$25 million towards research and development initiatives plus \$26 million to promote high technology, exports, tourism and industrial development.
- Investment of \$162 million in capital projects, a 10% increase, with a further \$520 million invested by Saskatchewan's crown corporations.
- Withdrawal from GRIP (Gross Revenue Insurance Plan) over two years and the development, in partnership with farmers, of more effective programs to support agriculture.
- A more open and accountable government:
 - tabling financial statements for the Crown Investment Corporation;
 - releasing mid-year reports on the province's financial position;
 - adopting the principles of accrual accounting.
- Saskatchewan Prescription Drug Plan redesigned.
- Improving government services by rationalizing their delivery; for example, the formation of health districts and the introduction of new preventive health programs.
- Social assistance and compassionate initiatives include:

- Increased social assistance payments to families with children, as well as increased assistance to working poor families.
- In 1994 the government will introduce a new Child Benefit Plan to support children in low-income families.
- Increased funding for the Family Builders Program which provides support for families in crisis.
- The Teen Parent Program will be expanded and an additional \$1 million provided to enhance the enforcement of maintenance orders.
- Low-income seniors will have their benefits increased by nearly 5%, as well as enhanced benefits under other programs such as the Drug Plan.
- Home care services funding increased.

Later developments

- Legislation introduced to reduce the number of MLAs to 58 from 66.²²
- The mid-year financial report projects that the deficit will be \$1.1 million lower than estimated in the 1993-94 budget. The deficit is estimated to be \$295 million in the current year, down from the revised \$592 million of the previous year.²³

FEDERAL GOVERNMENT

The federal budget was introduced on April 26, 1993. Highlights included:

- Total spending restrained to 1.9% annually for five years.
- No tax increases.

Budgetary statistics

	REVENUES \$ billion	EXPENDITURES		DEFICIT		DEBT \$ billion
		Operating	Total	Operating	Total	
		\$ billion	\$ billion	\$ billion	\$ billion	
1989-1990	112.4		142.9		30.5	351.4
1990-1991	120.7		151.2		30.5	388.5
1991-1992	128.5		159.0		30.5	419.0
1992-1993	122.9		158.4		35.5	458.6
1993-1994	126.9		159.5		32.6	491.2

Source: Canada, Department of Finance, *The Budget, 1990* p. 102, *1991*, p. 94 and *1993*, p. 62.

Note: Total revenues and expenditures are budgetary transactions and include public debt interest charges. The amount of debt is net debt.

Economic statistics

	Population (million)	Gross Domestic Product (\$ billion)	Unemployment Rate (%)
1989	26.2	649.6	7.5
1990	26.6	667.8	8.1
1991	27.0	674.4	10.3
1992	27.4	687.3	11.3

Source: Statistics Canada, *Provincial Economic Accounts: Preliminary Estimates 1992*, Cat. No. 13-213P, Table 6.

1993 Budget Highlights²⁴

Expenditure control

- Expenditure Control Plan was first initiated in the 1990 budget and extended, broadened and deepened in 1991 and 1992. The Plan reduced, froze at 1989-90 levels or limited the rate of growth in spending in every area except major transfers to persons, equalization payments and Canada Assistance Payments to equalization-receiving provinces. Included in the Plan is the restraint on growth in per capita entitlements to the provinces under Established Programs Financing to the end of 1994-95, and capping of the Canada Assistance Plan for non-equalization receiving provinces at 5% annual growth to 1994-95.
- The spending limits established in the *Spending Control Act* of 1992 will be lowered to reflect the impact of low inflation, full funding of pensions, restructuring the child benefit system, and to ensure a permanent lowering of government spending.
- Growth in program spending (excludes debt charges) restrained to 1.5% per year over five years 1993-94 to 1997-98; total budgetary expenditures will increase by 1.9% per year.
- Two areas exempt from further reductions are
 - income security benefits for the elderly, programs for the disabled, veterans' pensions and allowances, selected native programs, the Canadian Jobs Strategy and famine relief; and
 - major transfers to the provinces.
- Additional cuts beyond those in the December 1992 statement and 1993 budget will yield savings of \$3.8 billion in 1993-94, with cumulative savings over five years of \$30.7 billion. Actions include:
 - Departmental operating budgets, including reserves for contingencies and new initiatives, will be cut by an additional \$300 million in both 1993-94 and 1994-95, rising to \$1.2 billion in 1997-98. (Non-wage operating budgets were reduced by 3% in the 1992 budget, while the December 1992 statement cut operating budgets by a further 2% in 1992-93 and 5% thereafter.) Total reductions by 1997-8 will amount to 10%, with total savings over five years of \$7.5 billion.
 - Defence spending will be frozen in real terms beginning 1994-95.
 - Funding for the university research councils lowered to 1.5% annual growth after 1994-95.
 - International assistance will be constrained to 1.5% annual growth.

- Most grants and contributions, e.g. to advocacy groups, already cut by 10% this year and next, will be reduced by 15% in 1995-96 and 20% thereafter.
- Funding for regional development, cut by 10% in 1993-94 and 1994-95, will be further reduced by an additional \$90 million in 1993-94 and \$100 million a year thereafter. Over time there will be a shift from grants to repayable contributions.
- Operating subsidies for the CBC and VIA Rail will be reduced by \$500 million in 1995-96 and \$100 million per year thereafter.
- The government will not increase its current support, through the Canada Mortgage and Housing Corporation, of about \$2 billion a year for social housing.
- Unemployment insurance benefits will remain at the reduced rate of 57% of average insurable earnings beyond 1995.
- Streamlining government:
 - Further to streamlining actions in the 1992 budget, an additional 12 government organizations will be eliminated or restructured.
 - Eight advisory bodies will be eliminated, two will be merged.
 - Streamlined tax collection and improved cash management.
 - Continued privatization and commercialization.

Revenue changes

- No new taxes and no tax increases.
- Simplification of GST accounting for small business.

Later developments

- Liberal Finance Minister announced that the 1993-94 deficit will be \$44-46 billion. He plans to reduce the deficit by \$20 billion over three years to 3% of GDP by 1996-97.²⁵

ENDNOTES

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³ *Ibid.*

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⁵ *Ibid.*

⁶ British Columbia, Ministry of Finance and Corporate Relations, *Budget '93: Choices and Challenges* (Victoria: The Ministry, 1993).

⁷ "B.C. government drops property surtax," *Public Sector* (26 April 1993): 3.

⁸ "B.C. reaches deal with health employees," *Public Sector* (5 April 1993): 3.

⁹ "B.C. exempts firms from capital tax," *Public Sector* (28 June 1993): 2.

¹⁰ "B.C. to shrink public sector bargaining," *Public Sector* (19 July 1993): 3.

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¹² New Brunswick, Department of Finance, *The New Brunswick Budget: 1993-1994* (Fredericton: The Department, 1993).

¹³ Newfoundland and Labrador, Department of Finance, *Budget 1993* (St. John's: The Department, 1993).

¹⁴ Nova Scotia, Department of Finance, *Budget Address: Province of Nova Scotia 1993-94* (Halifax: The Department, 1993).

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¹⁶ Ontario, Ministry of Finance, *Ontario Budget: 1993* (Toronto: The Ministry, 1993).

¹⁷ "Federal, Ontario deficits show increases," *Public Sector* (22 November 1993): 4.

¹⁸ Prince Edward Island, Department of Finance, *Budget Address: 1993* (Charlottetown: The Department, 1993).

¹⁹ "P.E.I. statistics show fiscal improvement," *Public Sector* (18 October 1993): 3.

²⁰ Quebec, Ministère des Finances, *1993-1994 Budget: Budget Speech and Additional Information* (Quebec: Le Ministère, 1993).

²¹ Saskatchewan, Saskatchewan Finance, *Budget Address: March, 1993* (Regina: The Ministry, 1993).

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²³ "Sask. finances back on track: McKinnon," *Public Sector* (15 November 1993): 4.

²⁴ Canada, Department of Finance, *The Budget 1993* (Ottawa: The Department, 1993).

²⁵ Alan Freeman, "Martin sticks to deficit promise," *Globe and Mail* (30 November 1993): A1.

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